



WHAT YOU NEED TO KNOW:

New Rules about Credit Decisions and Notices

Starting in 2011, many credit-seeking consumers will get more information about how their credit report or credit score can impact a lender's decision to grant credit and the terms under which credit is offered. Beginning January 1, new rules from the Federal Reserve and the Federal Trade Commission require lenders to provide new information to consumers under certain conditions.



What type of notice will I receive? Why?

Depending on the circumstances, when you apply for credit through a bank, credit union, or other lender, you may receive a notice with information about your credit report or credit score. The new rules introduce several types of notices:

- **Credit Score Notice.** In some cases, shortly after you apply for credit, you will get a notice that states your credit score and information about how your credit score compares to other consumers' scores. A lender would provide this "credit score notice" to all credit applicants, whether you apply for a mortgage, auto loan, or another type of credit. This notice would be provided regardless of the terms of credit offered to you. (To see a sample "credit score notice", go to www.federalreserve.gov/consumerinfo/files/forms_h_4_20110112.pdf; to see a sample credit score notice for home loan applicants, go to www.federalreserve.gov/consumerinfo/files/forms_h_3_20110112.pdf.)

If you do not have a credit score, the lender's notice would identify the particular credit bureau that does not have a credit score available for you. (To see a sample notice when a credit score is not available, go to www.federalreserve.gov/consumerinfo/files/forms_h_5_20110112.pdf.)

- **Risk-Based Pricing Notice.** Not all lenders provide a credit score notice to all credit applicants. Instead, you may receive a "risk-based pricing notice" from your lender. You would only receive this type of notice if you are offered credit on terms that are less favorable than the terms offered to other consumers because of information in your credit report. For example, you may receive this type of notice if you have negative information in your credit report and you are offered a loan with an annual percentage rate (APR) that is higher than the APR offered to other consumers who

Useful Terms

credit score

A number that summarizes your credit record and history. The score is based on several factors, including whether you pay your bills on time, your current level of debt, the types of credit and loans you have, and the length of your credit history. Lenders and insurers use your credit score and information from credit reports to set loan and insurance rates.

credit report

A history of loan and bill payments, kept by a credit bureau and used by financial institutions and other potential creditors to determine the likelihood that your future debt will be repaid. Lenders and insurers use information from credit reports, along with your credit score, to set loan and insurance rates. Also called a credit history.

apply for that loan. (To see a sample “risk-based pricing notice”, go to www.federalreserve.gov/consumerinfo/files/forms_h_1_20110112.pdf.)

- **Account Review Notice.** If your APR on an existing credit account is increased based on a review of your credit report, you may receive an “account review notice.” For example, some credit card issuers conduct periodic reviews of customers’ credit reports. If there has been a change in your report since you initially applied for the card, the issuer may increase your APR. Under these circumstances, you would receive this notice providing you with the credit report information that resulted in the APR increase. (To see a sample “account review notice”, go to www.federalreserve.gov/consumerinfo/files/forms_h_2_20110112.pdf.)

What do the notices do for me?

These new notices give you the opportunity to check the accuracy of the information in your credit report. The notices identify the credit bureau that provided your credit report or credit score to your lender, allowing you to dispute any information that you believe is incorrect. All of the notices provide information on how to obtain a free credit report. In addition:

- A “credit score notice” will include your credit score. You can check the accuracy of your credit report by obtaining a free annual credit report, which is available to all consumers regardless of whether they have received a notice.
- A “risk-based pricing notice” or an “account review notice” will not include your credit score, but will include information about how to obtain a free credit report from the credit bureau identified in the notice within 60 days of receiving that notice. This report will be in addition to the free annual credit report available to all consumers.

What should I do if I receive a notice?

1. **Review the notice.** If you receive any of these notices, read it carefully to make sure you understand how your credit report or credit score may affect the price you pay for credit. Ask the lender to explain anything in the notice that you do not understand.
2. **Obtain and examine your credit report.** If you get a “risk-based pricing notice” or an “account review notice”, get your free credit report by following the instructions on your notice and review the information in it right away. If you get a “credit score notice”, and you are surprised by how your credit score compares to the scores of other consumers, you may want to get your free annual credit report from the credit bureau identified in the notice and review it for accuracy. (Go to www.annualcreditreport.com, to get more information about your free annual credit report.)
3. **Dispute any errors.** If you find errors in your credit report, you may dispute the information and request that the information be deleted or corrected. To do so, you should contact the credit bureau that provided the report.

For instructions on how to dispute credit report errors, visit the Federal Reserve’s Guide to Credit Reports and Credit Scores at www.federalreserve.gov/creditreports.